

**Shreveport Regional Arts Council
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended June 30, 2013 and 2012

Shreveport Regional Arts Council
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Shreveport Regional Arts Council, (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Regional Arts Council, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of Shreveport Regional Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Regional Arts Council's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
December 18, 2013

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Financial Position
June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 10,484	\$ 280,817
Investments	1,019,334	1,002,033
Grants receivable	344,796	372,661
Other receivables	65,653	45,721
Unconditional promises to give-operations	24,704	3,611
Prepaid expenses	4,785	4,785
Total current assets	<u>1,469,756</u>	<u>1,709,628</u>
Noncurrent assets:		
Long-term promises to give - operations	13,137	1,296
Cash - restricted	1,238,131	809,871
Promises to give - building renovations	820,340	1,107,632
Deposits	5,318	4,504
Property and equipment, net	2,390,848	1,695,317
Total noncurrent assets	<u>4,467,774</u>	<u>3,618,620</u>
Total Assets	<u>\$ 5,937,530</u>	<u>\$ 5,328,248</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 138,053	\$ 606,854
Grants payable	82,634	41,386
Accrued expenses	59,226	62,589
Total current liabilities	<u>279,913</u>	<u>710,829</u>
Net assets		
Unrestricted:		
Operating	64,189	(77,234)
Designated	1,125,534	1,149,533
Fixed assets	2,390,848	1,695,317
Temporarily restricted	<u>2,077,046</u>	<u>1,849,803</u>
Total net assets	<u>5,657,617</u>	<u>4,617,419</u>
Total Liabilities and Net Assets	<u>\$ 5,937,530</u>	<u>\$ 5,328,248</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 254,408	\$	\$ 254,408
Tuition and fees	62,374		62,374
Individual contributions	535,035	387,091	922,126
Business and industry contributions	180,635		180,635
Foundation grants	180,250	272,500	452,750
Government grants / contracts:			
City of Shreveport	421,003	19,380	440,383
Other governments	124,000		124,000
State of Louisiana	187,087		187,087
Special events -			
Christmas in the Sky	1,455,371		1,455,371
Investment income	92,564		92,564
Miscellaneous income	120,072		120,072
Interest income	5,315		5,315
Net assets released from restrictions			
Satisfaction of program restrictions	451,728	(451,728)	
 Total revenues, gains, support and reclassifications	 4,069,842	 227,243	 4,297,085
Expenses:			
Supporting services -			
General and administrative	360,117		360,117
Special events fund raising - Christmas in the Sky	830,094		830,094
 Total supporting services	 1,190,211	 	 1,190,211
Program services			
Artbreak	298,674		298,674
Artspace	753,923		753,923
Central Artstation	150,133		150,133
Shreveport Common / Public Art	293,002		293,002
Arts Resource Center	570,944		570,944
 Total programs services	 2,066,676	 	 2,066,676
 Total expenses	 3,256,887	 	 3,256,887
Change in net assets	812,955	227,243	1,040,198
Net assets, beginning of year	2,767,616	1,849,803	4,617,419
Net assets, end of year	\$ 3,580,571	\$ 2,077,046	\$ 5,657,617

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Totals
Revenues, gains, support and reclassifications:			
Admissions sales and concessions	\$ 413,423	\$	\$ 413,423
Tuition and fees	80,562		80,562
Individual contributions	224,836	285,000	509,836
Business and industry contributions	63,332	30,000	93,332
Foundation grants	185,350	313,400	498,750
Government grants / contracts:			
City of Shreveport	435,000	296,667	731,667
Other governments	25,000	66,000	91,000
State of Louisiana	252,267		252,267
Special events -			
Christmas in the Sky	11,675		11,675
Investment income	7,962		7,962
Miscellaneous income	189,093	97,765	286,858
Net assets released from restrictions			
Satisfaction of program restrictions	1,903,791	(1,903,791)	
Total revenues, gains, support and reclassifications	3,792,291	(814,959)	2,977,332
Expenses:			
Supporting services -			
General and administrative	450,265		450,265
Special events fund raising - Christmas in the Sky	195,672		195,672
Total supporting services	645,937		645,937
Program services			
Artbreak	229,498		229,498
Artspace	934,065		934,065
Central Artstation	121,581		121,581
Shreveport Common	216,461		216,461
Public Art	98,732		98,732
Arts Resource Center	516,234		516,234
Total programs services	2,116,571		2,116,571
Total expenses	2,762,508		2,762,508
Change in net assets	1,029,783	(814,959)	214,824
Net assets, beginning of year	1,737,833	2,664,762	4,402,595
Net assets, end of year	\$ 2,767,616	\$ 1,849,803	\$ 4,617,419

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2013

	Support Services		Program Services						Totals
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Central Art Station	Shreveport Common / Public Art	Arts Resource Center	Program Services	
Admissions sales and concessions	\$	\$	\$	\$ 43,329	\$	\$	\$	\$ 43,329	\$ 43,329
Awards				4,059				4,059	4,059
Bank charges	10,120	31,823	295	5,884	959		295	7,433	49,376
Depreciation expense	21,531			6,837	33,732			40,569	62,100
Dues and subscriptions	3,130			150				150	3,280
Employee benefits	38,421	18,911	14,943	32,510		8,754	6,006	62,213	119,545
Equipment and facility rentals	8,167	22,179	4,020	7,010				11,030	41,376
Event expenses		157,076	4,770	2,425				7,195	164,271
Grants to other agencies							426,177	426,177	426,177
Insurance expense	28,867	284							29,151
Miscellaneous expense	4,985	96,864	15,122	1,199	4,566	9,244	2,488	32,619	134,468
Payroll taxes	9,524	13,439	7,726	21,606	5	6,010	6,061	41,408	64,371
Postage and Freight	8,017	6,743	1,000		1,295	536	68	2,899	17,659
Professional artist fees		350	59,773	56,982	33,846	122,612	8,100	281,313	281,663
Professional services	25,190	56,638	16,402	31,035	32,264	41,561	22,803	144,065	225,893
Promotion and printing	4,131	44,932	8,555	91,150	3,500	4,737		107,942	157,005
Repair and maintenance	1,403	140		10,896	1,214			12,110	13,653
Salaries	135,528	187,538	104,674	283,099	66	80,882	82,015	550,736	873,802
Supplies and fees	33,226	117,944	52,312	139,733	36,457	3,304	3,649	235,455	386,625
Taxes - other	713	1,090		475			2,119	2,594	4,397
Technical fees		63,287	6,500					6,500	69,787
Telephone	12,054	287	183	2,096		120		2,399	14,740
Travel									
Program	13,702	10,569	2,399		2,229	15,242	11,163	31,033	55,304
Staff and board	1,213							13,448	14,661
Utilities	195			13,448					195
	<u>\$ 360,117</u>	<u>\$ 830,094</u>	<u>\$ 298,674</u>	<u>\$ 753,923</u>	<u>\$ 150,133</u>	<u>\$ 293,002</u>	<u>\$ 570,944</u>	<u>\$ 2,066,676</u>	<u>\$ 3,256,887</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Support Services		Program Services							Total
	General and Administrative	Fund Raising - Christmas In the Sky	Artbreak	Artspace	Central Art Station	Shreveport Common	Public Art	Arts Resource Center	Program Services	
Admissions sales and concessions				\$ 116,779					\$ 116,779	\$ 116,779
Awards			8,600						8,600	8,600
Bank charges	10,088	811	197	12,244	868	3		278	13,590	24,489
Depreciation expense	17,742									17,742
Dues and subscriptions	3,125			210					210	3,335
Employee benefits	44,137	14,551	7,859	33,346		9,973	617	2,639	54,434	113,122
Equipment and facility rentals	7,358	230	10,026	12,480		285	4,724		27,515	35,103
Event expenses		3,390		2,250					2,250	5,640
Grants to other agencies								446,621	446,621	446,621
Insurance expense	24,668									24,668
Miscellaneous expense	19,070	39,639	5,219	489	930	14,143	113	660	21,554	80,263
Payroll taxes	12,467	8,352	3,923	24,731		6,027	403	3,711	38,795	59,614
Postage and Freight	8,658	80	1,926	5,949	34	602		332	8,843	17,581
Professional artist fees		.600	49,062	143,595		41,510	86,950	2,750	323,867	324,467
Professional services	34,722	6,149	10,273	28,069	114,260	13,068		3,800	169,470	210,341
Promotion and printing	13,165	3,113	10,554	80,303		6,066		82	97,005	113,283
Repair and maintenance	1,718		245	12,388					12,633	14,351
Salaries	175,148	113,579	54,334	325,648		82,097	5,597	50,183	517,859	806,586
Seminar fees	1,760					100		300	400	2,160
Supplies and fees	48,576	4,393	57,612	123,858	5,070	4,001		789	191,330	244,299
Taxes - other	1,205	60		1,522		75		204	1,801	3,066
Technical fees										
Telephone			6,750						6,750	6,750
Travel	9,076			1,908		120			2,028	11,104
Program		725	2,918	8,296	419	38,391	328	3,885	54,237	54,962
Staff and board	17,203									17,203
Utilities	379									379
	<u>\$ 450,265</u>	<u>\$ 195,672</u>	<u>\$ 229,498</u>	<u>\$ 934,055</u>	<u>\$ 121,581</u>	<u>\$ 216,461</u>	<u>\$ 98,732</u>	<u>\$ 516,234</u>	<u>\$ 2,116,571</u>	<u>\$ 2,762,508</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statements of Cash Flows
June 30, 2013 and 2012

Operating Activities	<u>2013</u>	<u>2012</u>
Changes in net assets	\$ 1,040,198	\$ 214,824
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	62,100	17,742
Realized and unrealized (gains) and losses on investments	(61,579)	17,051
(Increase) decrease in operating assets:		
Grants receivable	27,865	30,059
Other receivables	(19,932)	(1,206)
Promises to give	254,358	411,200
Deposits	(814)	1,479
Increase (decrease) in operating liabilities:		
Accounts payable	(562,448)	10,921
Grants payable	41,248	(20,503)
Accrued expenses	(3,363)	10,726
Net cash provided (used) by operating activities	<u>777,633</u>	<u>692,293</u>
 Investing Activities		
Sales and maturities of investments	44,278	106,933
Payments for property and equipment	(663,984)	(850,446)
Net cash (used) by investing activities	<u>(619,706)</u>	<u>(743,513)</u>
 Net increase (decrease) in cash and cash equivalents	157,927	(51,220)
 Cash and cash equivalents as of beginning of year	<u>1,090,688</u>	<u>1,141,908</u>
 Cash and cash equivalents as of end of year	<u>\$ 1,248,615</u>	<u>\$ 1,090,688</u>
 Supplemental disclosure:		
Acquisition of construction in process with accounts payable	<u>\$ 93,647</u>	<u>\$ 536,242</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Shreveport Regional Arts Council (SRAC) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. SRAC's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. SRAC's services, therefore, include providing cultural programming, scheduling and coordinating cultural activities, and other professional services directed toward its stated goal.

B. Basis of Accounting

The financial statements of SRAC have been prepared on the accrual basis of accounting.

C. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

D. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SRAC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. Investments

Investments are stated at fair market value, based on quoted market prices.

H. Property and Equipment

It is the policy of SRAC to capitalize all fixed assets with a unit cost of \$500 or more. Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

I. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated *time restriction ends or purpose restriction is accomplished*), *temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.*

J. Advertising Costs

SRAC uses advertising to promote its services among the community it serves. The costs of *advertising are expensed as incurred. For the years ended June 30, 2013 and 2012, advertising costs totaled \$76,788 and \$63,291 respectively and are included in promotions on the Statements of Functional Expenses.*

K. Employee Benefit Plans

SRAC established a Simple Retirement Account plan for its full and part-time employees. An *employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, which ever is less. The contributions charged to expense for the years ended June 30, 2013 and 2012 were \$14,693 and \$9,449, respectively.*

L. Income Tax Status

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2010, 2011, 2012, and 2013 are subject to examination by the IRS, generally three years after they were filed.

M. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

N. Accrued Absences

SRAC's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employee with 0–5 years experience; up to 96 hours for employees with 5–10 years experience; up to 120 hours for employees with 10–15 years experience; up to 144 hours for employees with 15–20 years experience; and up to 168 hours for employees with over 20 years experience. An accrued liability for vacation time of \$42,736 and \$41,688 is included in accrued expenses at June 30, 2013 and 2012, respectively.

(2) Agreement for Services

Under a formal agreement for services between the City of Shreveport (the City) and SRAC, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement.

(3) Concentrations of Credit Risk

SRAC maintains cash balances at several financial institutions located in the Shreveport area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013 total cash balances held at financial institutions was \$1,253,617, of which \$638,873 was secured by FDIC insurance. At June 30, 2012 total cash balances held at financial institutions was \$1,113,357, of which \$581,638 was secured by FDIC insurance.

Approximately 61% of the promises to give for building renovations for the year ended June 30, 2013 were from two donors. Approximately 68% of the promises to give for building renovations for the year ended June 30, 2012 were from two donors.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2013 and 2012, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(4) Promises to Give - Operations

Unconditional promises to give at June 30, 2013 are as follows:

Receivable in less than one year	\$ 24,704
Receivable in one to five years	13,636
Less discount on promises	(499)
Net long-term	<u>13,137</u>
Net unconditional promises to give	<u>\$ 37,841</u>

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

Amounts shown are net of an allowance for uncollectible promises of \$10,545. Promises receivable expected to be collected over more than one year are discounted at 1.9%.

Unconditional promises to give at June 30, 2012 are as follows:

Receivable in less than one year	\$ 3,611
Receivable in one to five years	1,389
Less discount on promises	<u>(93)</u>
Net long-term	<u>1,296</u>
Net unconditional promises to give	<u>\$ 4,907</u>

Amounts shown are net of an allowance for uncollectible promises of \$4,000. Promises receivable expected to be collected over more than one year are discounted at 1.9%.

(5) Restricted Assets

Assets restricted for building renovations, development of arts district, and artist regrants at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 1,238,131	\$ 809,871
Promises to give	<u>820,340</u>	<u>1,107,632</u>
	<u>\$ 2,058,471</u>	<u>\$ 1,917,503</u>

Promises receivable expected to be collected over more than one year are discounted at .12% for the years ended June 30, 2013 and 2012. The allowance for uncollectible promises receivable at June 30, 2013 and 2012 was \$92,324 and \$195,964, respectively.

	<u>2013</u>	<u>2012</u>
Receivables in less than one year	\$ 267,171	\$ 195,500
Receivables in two to five years	<u>556,000</u>	<u>914,963</u>
	823,171	1,110,463
Less discounts to net present value	<u>(2,831)</u>	<u>(2,831)</u>
Net promises to give	<u>\$ 820,340</u>	<u>\$ 1,107,632</u>

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

(6) Investments

Investments stated at fair value as determined by market prices at June 30, 2013 are as follows:

	2013	
	<u>Fair Value</u>	<u>Cost</u>
Fixed income	\$ 305,419	\$ 305,849
Other assets	189,327	192,318
Equities	<u>524,588</u>	<u>430,317</u>
	<u>\$ 1,019,334</u>	<u>\$ 928,484</u>

Investments stated at fair value as determined by market prices at June 30, 2012 are as follows:

	2012	
	<u>Fair Value</u>	<u>Cost</u>
Fixed income	\$ 357,821	\$ 358,202
Cash	52,514	52,514
Other assets	128,086	92,402
Equities	<u>463,612</u>	<u>406,169</u>
	<u>\$ 1,002,033</u>	<u>\$ 909,287</u>

FASB ASC 820-10-50, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. SRAC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SRAC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to SRAC, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The fair value of the investments were determined by quoted market prices and considered measured using Level 1 inputs.

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	2013	2012
Interest and dividend income	\$ 21,699	\$ 25,013
Realized gain (loss) on sale on investments	43,194	24,439
Unrealized gains (losses) on investments	<u>27,671</u>	<u>(41,490)</u>
	<u>\$ 92,564</u>	<u>\$ 7,962</u>

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

(7) Property and Equipment

Property and equipment at June 30, 2013, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 291,844
Leasehold improvements – construction in process	None	222,650
Leasehold improvements	5 – 10 years	<u>2,079,025</u>
		2,593,519
Accumulated Depreciation		<u>(202,671)</u>
		<u>\$ 2,390,848</u>

Depreciation expense for the year ended June 30, 2013 was \$62,100.

Property and equipment at June 30, 2012, with estimated depreciable life, are summarized as follows:

Furniture, fixtures, equipment	7 – 20 years	\$ 128,667
Leasehold improvements – construction in process	None	1,652,919
Leasehold improvements	5 – 10 years	<u>55,082</u>
		1,836,668
Accumulated Depreciation		<u>(141,351)</u>
		<u>\$ 1,695,317</u>

Depreciation expense for the year ended June 30, 2012 was \$17,742.

(8) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2013	2012
Artspace	\$ 350,750	\$ 64,907
Renovation of Central Fire Station	1,274,824	1,518,280
Development of Shreveport Common	287,200	59,676
Art Resource Center/Artists as Entrepreneurs	10,000	28,400
Exhibit	112,500	75,000
Club 101 – Operating Campaign	37,092	–
Regrants	4,680	–
	<u>\$ 2,077,046</u>	<u>\$ 1,849,803</u>

(9) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2013 and 2012 totaling \$1,019,334 and \$1,002,033 respectively to insure that SRAC's resources will remain stable regardless of potential changes in public or private funding.

For the years ended June 30, 2013 and 2012, the Board designated \$106,200 and \$147,500, respectively, from funds received from the City of Shreveport to be used for regrants and Artspace.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

(10) Operating Leases

SRAC leases certain storage space and equipment under operating leases. Rental costs for these leases for the years ended June 30, 2013 and 2012 were \$9,967 and \$10,139, respectively. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year are as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 12,983
2015	8,623
2016	6,443
2017	6,443
2018	<u>3,758</u>
Total minimum future rentals	<u>\$ 38,250</u>

(11) Line of Credit

SRAC has a revolving line of credit in the amount of \$300,000. Interest accrues at 2.158 & 2.607 percentage points over the LIBOR index for the years ended June 30, 2013 and 2012, respectively. There were no draws on the line of credit as of June 30, 2013 and 2012. The line of credit has a maturity date of June 2013. The line of credit was renewed on July 24, 2013.

(12) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Accrued leave payable	\$ 42,736	\$ 41,688
Accrued payroll and related benefits	<u>16,490</u>	<u>20,901</u>
	<u>\$ 59,226</u>	<u>\$ 62,589</u>

(13) Concentration of Revenue

During the years ended June 30, 2013 and 2012, SRAC received contractual revenue from state, parish, and city grants in the amount of \$751,470 and \$1,074,934, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

Approximately 34% of the total revenue for the year ended June 30, 2013, was derived from SRAC's biennial Christmas in the Sky fundraising event.

(14) Donated Materials, Facilities, and Services

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the years ended June 30, 2013 and 2012 were \$68,692 and \$27,071, respectively, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2013 and 2012
(Continued)

(15) Grants Payable

Grants payable at June 30, 2013 and 2012 represent amounts owed to recipients of arts grants awarded by SRAC but not yet paid. Final payments are made upon receipt of final reports from the recipients.

(16) Endowment Account with Community Foundation of Shreveport–Bossier

SRAC has entered into an agreement with the Community Foundation of Shreveport–Bossier (CFSB). The agreement establishes an Agency Endowment Fund at CFSB called “Arts Forever Fund” (Fund). All property of the Fund belongs to CFSB. The fund will be used for support of the charitable purposes of SRAC. Net income and capital appreciation of the Fund, as governed by CFSB's *Spending Policy*, will be paid and distributed to SRAC at least annually, for as long as SRAC is a Qualified Charitable Organization.

The fair market value of the fund at June 30, 2013 and 2012 was \$233,175 and \$222,529 respectively.

(17) Subsequent Events

Subsequent events have been evaluated through December 18, 2013, the date the financial statements were available to be issued.

(18) Commitments

SRAC has entered into contracts for the architectural, design and oversight management of the *Shreveport Commons Art District* totaling approximately \$237,000. Costs incurred under these contracts as of June 30, 2013 totaled approximately \$21,500.

SRAC has entered into contracts for various art projects totaling \$190,600. Costs incurred under these contracts as of June 30, 2013 totaled approximately \$57,800.

(19) Grants Receivable

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2013 and 2012, but received after those dates.

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shreveport Regional Arts Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shreveport Regional Arts Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Regional Arts Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shreveport Regional Arts Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Regional Arts Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
December 18, 2013

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
June 30, 2013

Summary Schedule of Prior Audit Findings

There were no findings for the prior year audit for the year ended June 30, 2012.

Corrective Action Plan for Current Year Audit Findings

There are no findings for the current year audit for the year ended June 30, 2013.